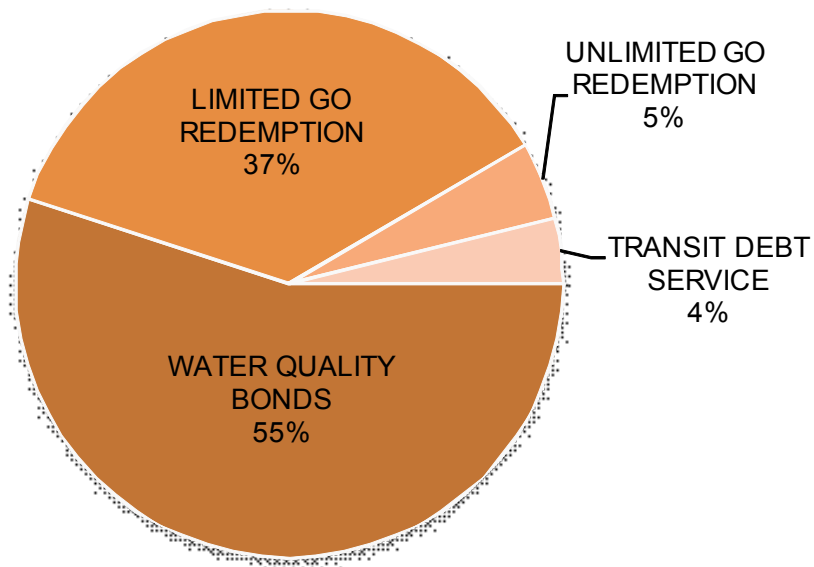
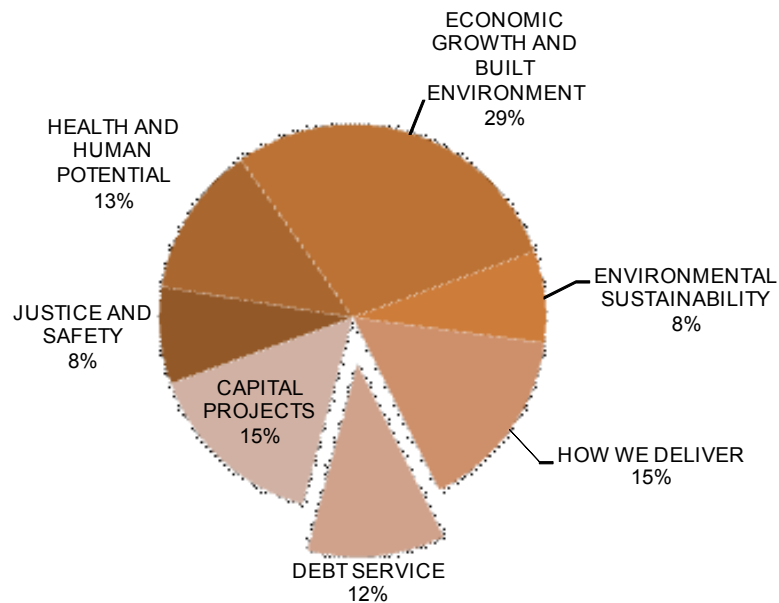

DEBT SERVICE

DEBT SERVICE ***\$878 MILLION***



Due to rounding, figures may not add to 100%.

Debt Budget Issues and Priorities

There are four funds which directly pay debt service in King County: the Limited Tax General Obligation (LTGO) Bond Redemption Fund, the Unlimited Tax General Obligation (UTGO) Bond Redemption Fund, the Stadium General Obligation Bond Redemption Fund, and the debt service appropriation within the Wastewater Treatment Division Fund. In addition, Transit has created a new sub fund to track bond payments, which is described at the end of this section. The 2013 / 2014 Executive Proposed Budget for five appropriation units dedicated to bond repayment is \$878 million.

	FY 13	FY 14
Limited General Obligation Bonds	\$ 158,766,208	\$ 162,473,487
Unlimited General Obligation Bonds	\$ 20,832,438	\$ 19,431,944
Stadium General Obligation Bonds	\$ -	\$ -
Wastewater Debt Service	\$ 238,226,185	\$ 244,424,313
Transit Debt Service	\$ 16,992,024	\$ 17,010,724
Total Debt Service	\$ 434,816,855	\$ 443,340,468

There are additional budgets with proposed expenditures associated with lease bonds, road improvement districts and guarantees, and central charges from the LTGO fund. These details are located in the appropriate department sections.

During the first 8 months of 2012, the Finance and Business Operations Division (FBOD) has taken advantage of the continued decline in interest rates to refinance approximately \$500 million of outstanding debt in order to reduce future debt service payments. This refunding activity will reduce the countywide appropriation for debt service by just over \$4.4 million in 2013. These changes are reflected as technical adjustments in the debt service funds.

Limited Tax General Obligation Bond Redemption Fund

The 2013 / 2014 Proposed Budget authority for the Limited Tax General Obligation (LTGO) Bond Redemption Fund is \$321.2 million. Expenditures in this fund are entirely revenue backed by contributions from other funds throughout the county and revenues dedicated to debt service.

Adjustments to the Adopted Budget (Pro Forma)

The 2012 Adopted Budget was adjusted in Proforma to remove all contingencies. In addition, this year will be the first year that the General Fund transfers payments for debt service directly to the LTGO fund. In the past, the LTGO fund received direct property tax collections and the General Fund represented this as a negative revenue in the financial plan. Moving forward, the revenue will be booked into the General Fund and the transfer to the LTGO fund will be appropriated. This is a more transparent way of capturing General Fund debt service obligation and reduces the need for the LTGO fund to build a cash flow reserve to cover payments that happen prior to the transfer of property taxes. The other significant change from 2012 is the inclusion of debt service for the ABT project. The annual debt service for the ABT project is approximately \$9.6 million and will be spread countywide.

Direct Service Changes

Contingency for debt service on new bonds

2013 – \$10,700,000 Expenditure

2014 – \$14,600,000 Expenditure

At the end of 2012 and beginning of 2013, King County expects to issue bonds to fund multiple projects, including the Southeast District Court Relocation, Wastewater's South Plant Energy project, upgrades to the King County Correctional Facility HVAC systems, a countywide IT Business Empowerment project, and an expansion of the Solid Waste capital program. This contingency also includes the debt service on the Pat Steel building, which will be refinanced in November. This obligation was previously appropriated in the long-term lease fund. This change item builds the necessary expenditure authority in the LTGO fund to pay the debt service on these new issuances in 2013 and 2014.

Fund Balance Transfer to Rainy Day Reserve Fund

2013 – \$3,900,000 Expenditure

As a result of the change in how the General Fund contributes to the LTGO Fund and a review of the LTGO fund balance and reserves, \$18 million in one-time fund balance has been freed up to support the County's debt service program. These funds have been reprogrammed to reduce debt service obligations and increase fund balance in the Rainy Day Reserve Fund. \$9.0 million of this fund balance will be used to pay 2013, 2014 and 2015 debt for Green River flood planning efforts. \$4.1 million will be used for South Park Bridge debt service in 2013 and 2014. \$1 million will remain in the LTGO fund. \$3.9 million will be transferred to the Rainy Day Reserve Fund to increase the balance of that fund to over \$20 million. The Rainy Day Reserve Fund is reviewed by Standard & Poor, Moody's and Fitch when rating King County's bonds. Increasing this fund balance will help keep the County's ratings high and interest rates low.

The contingency for debt service

2013 – \$2,000,000 Expenditure

2014 – \$2,000,000 Expenditure

This is contingency for fluctuations in rates on new issues, changes in variable rate bonds, errors, or other adjustments that may be needed in 2013 and 2014. This is not backed by revenue and is assumed not to be spent in the financial plan.

Technical Adjustments

Principal and Interest Adjustment

2013 – (\$112,426,199) Expenditure

2014 – (\$108,718,920) Expenditure

This reduction aligns debt service expenditures with the current debt service schedules. The main change is from reducing the BAN payoff budgeted in 2012.

Revenue Adjustment

2013 – (\$100,299,221) Revenue

2014 – (\$92,895,383) Revenue

This change aligns contributions from other funds with the most current debt service schedules and removes revenues associated with the BAN payoff.

The General Fund share of the Limited Tax General Obligation bond payment will remain below the 6 percent debt cap based on General Fund revenue collections even with the inclusion of additional debt.

Unlimited Tax General Obligation Bond Redemption Fund

The 2013 / 2014 Proposed Budget authority for the Unlimited Tax General Obligation (UTGO) Bond Redemption Fund is \$40.3 million. All adjustments to this budget were technical changes and reflect refinancing activity that reduced the overall debt service burden. The bonds currently paid by the UTGO fund will be paid off in 2023. Limited Tax General Obligation Bond financing is approved by the County Council while UTGO financing is approved by voters. Adjustments to the fund were made for known reductions in debt service payments.

Stadium General Obligation Bond Redemption Fund

The original Kingdome construction bonds were paid off in 2012. Therefore, there is not an appropriation request for 2013 for the Stadium General Obligation Bond Fund. This fund was will be closed in the 4th quarter of 2012 and any residual funds will be transferred to the LTGO Fund to pay off remaining debt service on Kingdome repair bonds.

Wastewater Treatment Division (WTD) Debt Service

The 2013 Executive Proposed Budget for WTD Debt Service includes \$221.6 million of debt service for parity debt and \$16.7 million of debt service for subordinated debt, yielding a combined total debt service of \$238.2 million. The parity debt service comprises approximately \$44.4 million for general obligation bonds, a general obligation bond credit enhancement fee of \$1.2 million and \$175.9 million for revenue bonds. The subordinated debt service comprises approximately \$5.9 million for general obligation and revenue variable debt and \$10.8 million for State Revolving Fund and Public Works Trust Fund debt service.

The 2014 Executive Proposed Budget for WTD Debt Service includes \$226 million of debt service for parity debt and \$18.4 million of debt service for subordinated debt yielding a combined total debt service of \$244.4 million. The parity debt service comprises approximately \$44.3 million for general obligation bonds, a general obligation bond credit enhancement fee of \$1.2 million and \$180.6 million for revenue bonds. The subordinated debt service comprises approximately \$6.1 million for general obligation and revenue variable debt and \$12.3 million for State Revolving Fund and Public Works Trust Fund debt service.

Transit Debt Service

The 2013 / 2014 budget includes debt service appropriations that total \$34 million. At the end of 2011, Transit had \$143.9 million of general obligation bonds outstanding. The most recent general obligation debt issuance was in 2010 for \$27.4 million to fund capital projects that included Atlantic Central Campus expansion as well as energy improvements at North Base. Based on current debt retirement schedules, debt service is substantially reduced starting in 2019 when the debt associated with the construction of the Downtown Seattle Transit Tunnel is retired. Retirement of all remaining debt is currently projected to occur by 2034.

2013/2014 Biennial Budget for

Limited G.O. Bond Redemption 8400/A46500

Code/ Item#	Description	Expenditures	FTEs *	TLTs
FY13				
Adopted Budget				
AD_012	2012 Adopted Budget	252,677,456		
Adjustments to Adopted Budget				
PF_013	2013 Adjustments to 2012 Adopted Budget	1,914,951		
Direct Service Changes				
DS_001	Contingency for debt service on new bonds	10,700,000		
DS_002	Fund Balance Transfer to Rainy Day Reserve Fund	3,900,000		
DS_007	Contingency for debt service	2,000,000		
Technical Adjustments				
TA_001	Principal and Interest Adjustment	(112,426,199)		
TA_050	Revenue Adjustment - (\$100,299,221)	0		
FY13 Subtotal		158,766,208	0.00	0.00
FY14				
Adjustments to Adopted Budget				
PF_012	2012 Adopted Budget	252,677,456		
PF_014	2013 And 2014 Adjustments to 2012 Adopted Budget	1,914,951		
Direct Service Changes				
DS_001	Contingency for debt service on new bonds	14,600,000		
DS_007	Contingency for debt service on new bonds	2,000,000		
Technical Adjustments				
TA_001	Principal and Interest Adjustment	(108,718,920)		
TA_050	Revenue Adjustment - (\$92,895,383)	0		
FY14 Subtotal		162,473,487	0.00	0.00
2013/2014 Biennial Budget		321,239,695	0.00	0.00

* FTEs for the 2013 Budget and 2013/2014 Biennial Budget do not include temporary positions or overtime. The 2013/2014 Biennial Budget reflects the maximum number of FTEs during the biennium.

** The 2013/2014 Biennial Budget reflects the total expenditures for the biennium.

**2013/2014 Biennial Budget for
Unlimited G.O. Bond Redemption 8500/A46600**

Code/ Item#	Description	Expenditures	FTEs *	TLTs
FY13				
Adopted Budget				
AD_012	2012 Adopted Budget	22,240,250		
Technical Adjustments				
TA_001	Principal and Interest adjustment	62,950		
TA_002	Principal and Interest adjustment	(2,499)		
TA_003	Principal and Interest adjustment	(3,317,163)		
TA_004	Principal and Interest adjustment	(1,639,150)		
TA_005	Principal and Interest adjustment	(1,062,750)		
TA_006	Principal and Interest adjustment	4,550,800		
TA_050	Revenue Adjustment	0		
FY13 Subtotal		20,832,438	0.00	0.00
FY14				
Adjustments to Adopted Budget				
PF_012	2012 Adopted Budget	22,240,250		
Technical Adjustments				
TA_001	Principal and Interest adjustment	127,450		
TA_002	Principal and Interest adjustment	4,932		
TA_003	Principal and Interest adjustment	(3,199,163)		
TA_004	Principal and Interest adjustment	(1,560,775)		
TA_005	Principal and Interest adjustment	(2,731,550)		
TA_006	Principal and Interest adjustment	4,550,800		
TA_050	Revenue Adjustment	0		
FY14 Subtotal		19,431,944	0.00	0.00
2013/2014 Biennial Budget		40,264,382	0.00	0.00

* FTEs for the 2013 Budget and 2013/2014 Biennial Budget do not include temporary positions or overtime. The 2013/2014 Biennial Budget reflects the maximum number of FTEs during the biennium.

** The 2013/2014 Biennial Budget reflects the total expenditures for the biennium.

2013/2014 Biennial Budget for**Wastewater Treatment Debt Service 4610/A46300**

Code/ Item#	Description	Expenditures	FTEs *	TLTs
FY13				
Adopted Budget				
AD_012	2012 Adopted Budget	211,619,903		
Technical Adjustments				
TA_001	Wastewater Debt Service Technical Adjustments	26,606,282		
FY13 Subtotal		238,226,185	0.00	0.00
FY14				
Adjustments to Adopted Budget				
PF_012	2012 Adopted Budget	211,619,903		
Technical Adjustments				
TA_001	Wastewater Debt Service Technical Adjustments	32,804,410		
FY14 Subtotal		244,424,313	0.00	0.00
2013/2014 Biennial Budget		482,650,498	0.00	0.00

* FTEs for the 2013 Budget and 2013/2014 Biennial Budget do not include temporary positions or overtime. The 2013/2014 Biennial Budget reflects the maximum number of FTEs during the biennium.

** The 2013/2014 Biennial Budget reflects the total expenditures for the biennium.

**2013/2014 Biennial Budget for
Transit Debt Service 4640/A84300**

Code/ Item#	Description	Expenditures	FTEs *	TLTs
FY13				
Adopted Budget				
AD_012	2012 / 2013 Adopted Budget	0		
Adjustments to Adopted Budget				
PF_013	2013 Adjustments to 2012 / 2013 Adopted Budget	0		
Central Rate Changes				
CR_021	Debt Service Adjustment	16,707,864		
Technical Adjustments				
TA_051	Final Revenue Adjustment - \$16,992,024	0		
TA_097	Sinking Fund Expenditures	284,160		
FY13 Subtotal		16,992,024	0.00	0.00
FY14				
Adjustments to Adopted Budget				
PF_012	2013 Adopted Budget	0		
PF_014	Adjustments to the Adopted Budget	0		
Central Rate Changes				
CR_021	Debt Service Adjustment	16,720,536		
Technical Adjustments				
TA_051	Final Revenue Adjustment - \$17,016,610 Revenue	0		
TA_097	Sinking Fund Expenditures	290,188		
FY14 Subtotal		17,010,724	0.00	0.00
2013/2014 Biennial Budget		34,002,748	0.00	0.00

* FTEs for the 2013 Budget and 2013/2014 Biennial Budget do not include temporary positions or overtime. The 2013/2014 Biennial Budget reflects the maximum number of FTEs during the biennium.

** The 2013/2014 Biennial Budget reflects the total expenditures for the biennium.